

Agenda Date: 08/21/02  
Agenda Item: 5A

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.bpu.state.nj.us](http://www.bpu.state.nj.us)**

**DIVISION OF**  
**WATER AND WASTEWATER**

IN THE MATTER OF THE PETITION OF CONSUMERS )  
NEW JERSEY WATER COMPANY FOR APPROVAL OF ) ORDER ADOPTING INITIAL  
AN INCREASE IN RATES FOR WATER SERVICE AND ) DECISION/SETTLEMENT  
OTHER TARIFF CHANGES )

BPU DOCKET NO. WR02030133  
OAL DOCKET NO. PUCRL02673-02S

(SERVICE LIST ATTACHED)

BY THE BOARD:

On March 4, 2002, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, Consumers New Jersey Water Company (Consumers or Company), a public utility of the State of New Jersey, filed a petition with the Board of Public Utilities (Board) seeking approval of an increase in rates for water service.

The Company serves about 36,000 water customers in the municipalities of Phillipsburg, Pohatcong, Lopatcong, Greenwich and Harmony in Warren County; Holland, Lebanon and Califon in Hunterdon County; portions of Hamilton and Washington Townships in Mercer County; Chesterfield Township in Burlington County; Upper Freehold Township in Monmouth County; Gloucester Township in Camden County; and Woolwich Township in Gloucester County. The Company's rate request would have resulted in an increase in total Company revenues of approximately \$2.7 million or 16.68% over annual pro forma present revenues for the period ending July 31, 2002. The Company also requested for permission to establish a Purchase Water Adjustment Clause (PWAC) pursuant to N.J.A.C. 14:9-7 et seq.

## PROCEDURAL HISTORY

The matter was transmitted to the Office of Administrative Law (OAL) on March 21, 2002, and was assigned to Administrative Law Judge (ALJ) Richard F. Wells. The Board issued its first Suspension Order suspending the effective date of the proposed rate increase to September 4, 2002. The Board issued its second suspension order further suspending the proposed rate increase to January 4, 2003.

The parties to this proceeding are the Petitioner, the Division of the Ratepayer Advocate (Advocate) and Board Staff (Staff) (collectively, the Parties). On July 1, 2002, the Township of Hamilton (Township) filed a letter with the clerk of the OAL seeking to participate in this matter. No party objected to granting the Township of Hamilton participant status.

A pre-hearing conference was held on June 11, 2002. A public hearing was held in Phillipsburg, NJ at 2:00 pm on July 9, 2002, at the Phillipsburg municipal building. There were no public attendees. A second public hearing was held at 7:00 pm on July 9, 2002 at the Chesterfield municipal building, Chesterfield, NJ. Seven members from the public attended and four members from the public appeared on the record. These comments centered on the amount of increase requested and security issues of the Company's facilities.

Evidentiary hearings were scheduled for August 1 and 2, 2002 at the OAL in Quakerbridge Plaza Mercerville, NJ. The Parties subsequently conducted settlement discussions and as a result of those discussions the Parties reached a stipulated settlement of all the issues (stipulation or settlement). The Township did not execute the stipulation but filed a letter dated July 29, 2002 stating that it would not oppose the settlement.

ALJ Wells issued an Initial Decision recommending adoption of the stipulation executed by the Parties, finding that the Parties have voluntarily agreed to the settlement and the settlement fully disposes of all issues in controversy and is consistent with the law.

## STIPULATION

As more fully set forth in the attached stipulation the Parties agree to:

1. An overall increase in annual revenues of \$1.25 million, which represents an increase of 7.85% over present proforma rate revenues (settlement paragraph 4).
2. An overall rate of return of 8.71%, which includes a return on equity of 10.00% (settlement paragraph 2).
3. A test year utilized for the purpose of this stipulation as the twelve-month period ending July 31, 2002 adjusted for known and measurable changes through December 31, 2002.
4. The Petitioner's total rate base is \$53.877 million (settlement paragraph 1).
5. Pursuant to N.J.A.C. 14:9-7.1 et. seq., in order to permit the Company to be eligible to request a Purchased Water Adjustment Clause, certain findings are required to be made in this proceeding. Attached Exhibit Schedule B provides that required base data which the Parties request the Board to adopt for this purpose (settlement paragraph 6).

6. The Parties stipulated that the revenue requirement for Consumers should be set at \$17.166 million based on a 10.00% return on equity and a test year ending July 31, 2002, adjusted for known and measurable changes, which results in an increase of \$1.25 million over present revenues of \$15.920 million which equates to a 7.85% increase. The Parties agree that this figure would represent the level of revenue which is necessary to ensure that the Company will continue to provide safe, adequate and proper service to its customers (settlement paragraph 4).
7. The Parties agree that the tariff pages attached to the settlement, implementing the terms of the stipulation, should be adopted by the ALJ and the Board in their entirety (settlement paragraph 5).

## DISCUSSION AND FINDINGS

The additional revenues of \$1.25 million will be generated from General Metered Service (GMS) as follows:

Facilities charges: The stipulation sets for a quarterly rate of \$21.15 for a 5/8" meter service. This represents approximately a 1% increase over the current \$20.94 rate. All other fixed service charges will be charged according to the capacity ratios of the American Water Works Association.

Consumption Charges: The present rate of \$2.6352 per 1000 gallons will increase to \$2.9577 per 1000 gallons, an increase of approximately 12.23%.

Based on the above rates a GMS customer utilizing 80,000 gallons of water per year will experience an increase in their water bill from \$73.64 per quarter (\$294.56 per year) to \$80.30 per quarter (\$321.20 per year), an increase of \$6.66 per quarter or an increase of \$ 2.22 per month. The percentage increase for a GMS customer is approximately 9.04%. The settlement does not increase any other rates.

The Board, having reviewed the ALJ's Initial Decision, and stipulation of the Parties and the record in this matter, HEREBY FINDS that the Parties have voluntarily agreed to the stipulation and that the stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board FINDS the stipulation to be reasonable and in the public interest. The Board HEREBY ADOPTS the Initial Decision and stipulation, hereto, as its own, incorporating by reference, the terms and conditions as if fully set forth herein, subject to the following:

- a. The overall annual revenues shall be \$1.25 million, which represents an overall increase of 7.90% over present rate revenues.
- b. The overall rate of return shall be 8.71%, and shall include a return on equity of 10.00%.
- c. The test year utilized for the purposes of this stipulation shall be the twelve-month period ending July 31, 2002, adjusted for known and measurable changes.
- d. The Company's rate base shall be \$53.877 million.

- e. The record, included in the settlement, shall provide the required base data in order to permit the Company to be eligible to request a Purchased Water Adjustment Clause, pursuant to N.J.A.C. 14:9-7.1 et. seq.
- f. The total revenues of \$17.166 million agreed to by the Company represents the level of revenue sufficient to ensure that the Company shall continue to provide safe, adequate and proper service to its customers.
- g. The tariff pages attached to the stipulation shall be adopted implementing the terms of the stipulation in its entirety.

The effective date of this Order is as dated below:

DATED: **8/22/02**

BOARD OF PUBLIC UTILITIES  
BY:

**SIGNED**

JEANNE M. FOX  
PRESIDENT

**SIGNED**

FREDERICK F. BUTLER  
COMMISSIONER

**SIGNED**

CAROL J. MURPHY  
COMMISSIONER

**SIGNED**

CONNIE O. HUGHES  
COMMISSIONER

ATTEST:

**SIGNED**  
KRISTI IZZO  
SECRETARY

CONSUMERS NEW JERSEY WATER COMPANY  
SERVICE LIST  
BPU DOCKET NO. WR02030133

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